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ABSTRACT

This brochure for college administrators uses a question and answer format to provide an overview of factors in deciding whether a college should participate in the federal student aid programs. Questions address the following issues: the decision to participate in the student aid program; staffing required for a financial aid office; costs to the school for having these programs; risks in participating in the programs; benefits of providing federal student aid programs to students; institutional eligibility requirements; student eligibility factors; amounts of money a student can receive; specific federal student aid programs; how students get the funds; available training for institutional participants; and sources of additional information. (DB)

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The U.S. Department of Education's Federal Student Aid Programs

what every school owner should know

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This booklet provides an overview of important factors and considerations in deciding whether to participate in the U.S. Department of Education's student aid programs. Before you make a final decision, be sure to review the references listed in the section on obtaining additional information.

If you have general questions about participating in the federal student aid programs contact the ED Regional Office that corresponds to your state from the list below. Ask to speak with an Institutional Improvement Specialist or another member of the team who can assist you.

CT ME MA NH RI VT	617 223 9338
NJ NY PR VI	212 264 4022
DE MD PA VA WV DC	215 596 0247
AL FL GA KY MS NC SC TN	404 562 6315
IL MI MN OH WI	312 886 8737
AR LA NM OK TX	214 767 3811
AZ CA HI NV AS GU PW MH FM	415 437 8276
IA KS MO NE	816 880 4053
CO MT ND SD UT WY	303 844 3677
AK ID OR WA	206 287 1770

Many of the questions you might have about completing eligibility will be answered in Chapter 3 of the Federal Student Financial Aid Handbook.

You can access the Handbook via the Internet at http://www.ed.gov/offices/OPE/Professionals.html or can request a printed version from 1-800-433-3243.

If you have questions about eligibility or the application process please call 202-260-3270.

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Should I consider participating in the U.S. Department of Education's student aid programs?

More than 6,500 postsecondary institutions participate in one or more of the U.S. Department of Education's student aid programs. These eligible institutions are comprised of not only traditional four-year colleges, but also community colleges, trade, and technical schools. So, if you've thought about making federal aid available to your students, keep reading. This booklet will give you many things to consider before you make such an important decision.

As you read you will notice an underlying theme of high expectations both in the quality of your academic offerings as well as the administration of the federal student aid programs by your institution. When the Department of Education entrusts you as an agent of federal funds it is presumed that the students to whom you are awarding these funds are benefiting from the best academic offerings and administrative services you can provide.

You are making a commitment that your students are receiving the best educational value for their money; and that they will graduate from your institution with all the skills necessary for professional success.

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What kind of staff does it take to run a financial aid office?

Even at small institutions financial aid is not a part-time endeavor. You will need experienced individuals who are able to master the complex, often-changing, technical information necessary to correctly administer the federal aid programs.

The number of staff you need will depend on how many students you have who will receive aid, which aid programs you participate in, and the level of automation of your financial aid office.

Is there any cost to the school for having these programs?

Staff salaries, office space, furniture, and equipment are basic expenses that you cannot avoid. On-going training and membership in professional associations for financial aid staff help to ensure that the aid office is run well and that costly mistakes are not made.

The Department of Education offers free workshops; however, training from other sources can cost several hundred dollars. Professional associations' fees are generally nominal at the state and regional levels but can be substantially higher at the national level.

Some schools use financial aid servicers or consultants to assist with the management of student aid. This is an optional extra expense that you will want to consider carefully.

The Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan programs require that the institution match the federal dollars authorized to them with its own funds. Exact percentages of the match vary from program to program.

Required audits of your student aid program management and audited financial statements represent further costs that you will incur.

[redacted]re there any risks involved in participating in the federal student aid programs?

Accrediting agencies, loan guarantee agencies, the U.S. Department of Education, and others will at some point review your school's programs and student aid records. Opening up your business to audits and reviews from any and all of the parties involved in the student aid process provides the potential for uncovering flaws and errors in your student aid administration.

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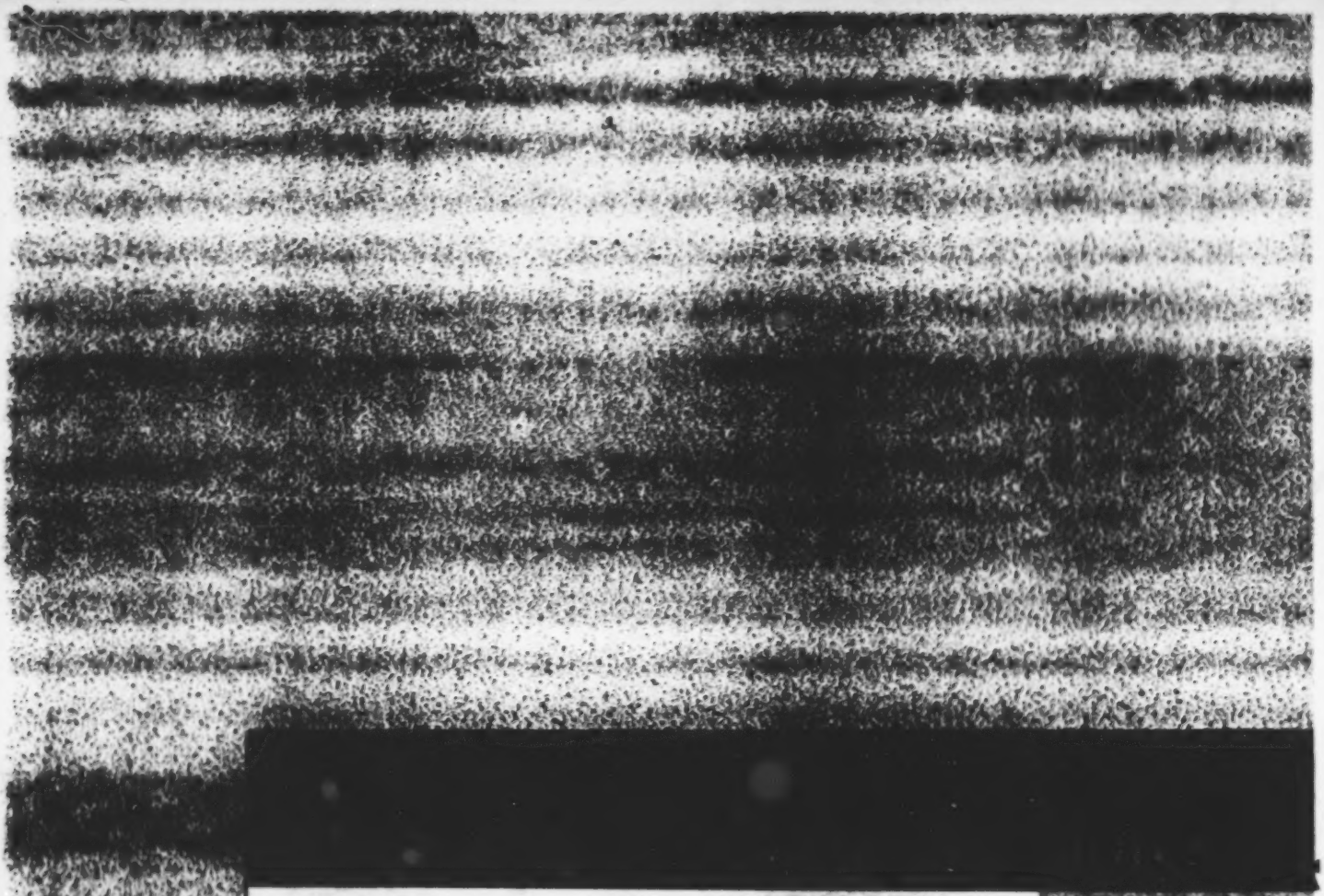

These problems sometimes result in the school's having to repay student aid funds awarded incorrectly or paying fines incurred for program mismanagement. However, by taking advantage of the help available and exercising conscientious student aid management techniques and principles, most schools successfully participate in the federal student aid programs with very little difficulty.

What are some of the benefits of providing the federal student aid programs to my students?

Your participation in the Department of Education's financial aid programs provides an alternative means for students to pay some or all of their educational expenses without having to pay entirely out of their own pockets. This helps to ensure access to post-secondary education to students who otherwise would not be able to afford it. In this way, more students can then potentially attend your institution, thus increasing enrollment. If this is one of your goals, then you benefit as well.

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Is my school eligible to offer these programs?

School owners are sometimes surprised that BOTH their school and their students must be eligible in order to receive federal student aid funds. Institutional eligibility involves meeting a number of very specific requirements identified in federal law and regulations. If your school isn't eligible, then no student attending your school can receive federal student aid from you. The next two sections describe the institutional and student eligibility requirements.

What are some of the institutional eligibility requirements?

The U.S. Department of Education recognizes three types of eligible institutions: (1) proprietary institutions of higher education, (2) postsecondary vocational institutions, and (3) institutions of higher education.*

- A proprietary or postsecondary vocational school must have been providing postsecondary instruction of the same program type as a legally authorized school for at least two consecutive years before being able to participate in the federal student aid programs.

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- Schools must demonstrate financial responsibility and administrative capability in order to participate in the student aid programs. *
- Schools must be legally authorized by the state where they offer post-secondary education to provide a post-secondary educational program.
- Most schools must be accredited or pre-accredited by a nationally recognized accrediting agency. For post-secondary vocational institutions, approval by a recognized state agency may be sufficient.
- An eligible school admits as regular students only persons who have a high school diploma or its recognized equivalent, or persons who are beyond the age of compulsory school attendance who have the ability to benefit from the education provided at the school. Certain schools* are not eligible if 50 percent or more of their students are admitted under this ability-to-benefit category.
- Proprietary schools may derive no more than 85 percent of their revenues from federal student aid programs.
- Certain schools* may not have more than 50 percent of their courses taught through correspondence, nor more than 50 percent of their students enrolled in correspondence courses.
- Certain schools* may not have 25 percent or more of their students incarcerated.

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To be eligible a school must also offer at least one eligible program. If you offer more than one program, you may find that not all of your programs qualify for federal student aid eligibility. Examples of the criteria used to determine if a program meets one of the eligible program definitions include whether the program leads to a degree, the program length, and the amount of instruction offered*.

Additional requirements for maintaining eligibility come into play once a school begins participating in the student aid programs. For example, schools that participate in the Federal Family Education Loan program must have cohort default rates below specified percentages to continue participating in the Department of Education's programs. This rate is based on the number of students who default on loans received for attending your school.

*See Chapter 3 of the Federal Student Financial Aid Handbook for details (Page two of this booklet explains how to obtain the handbook.)

What are some of the student eligibility requirements?

Students must...

- be U.S. citizens or fit in one of several eligible non citizen categories.

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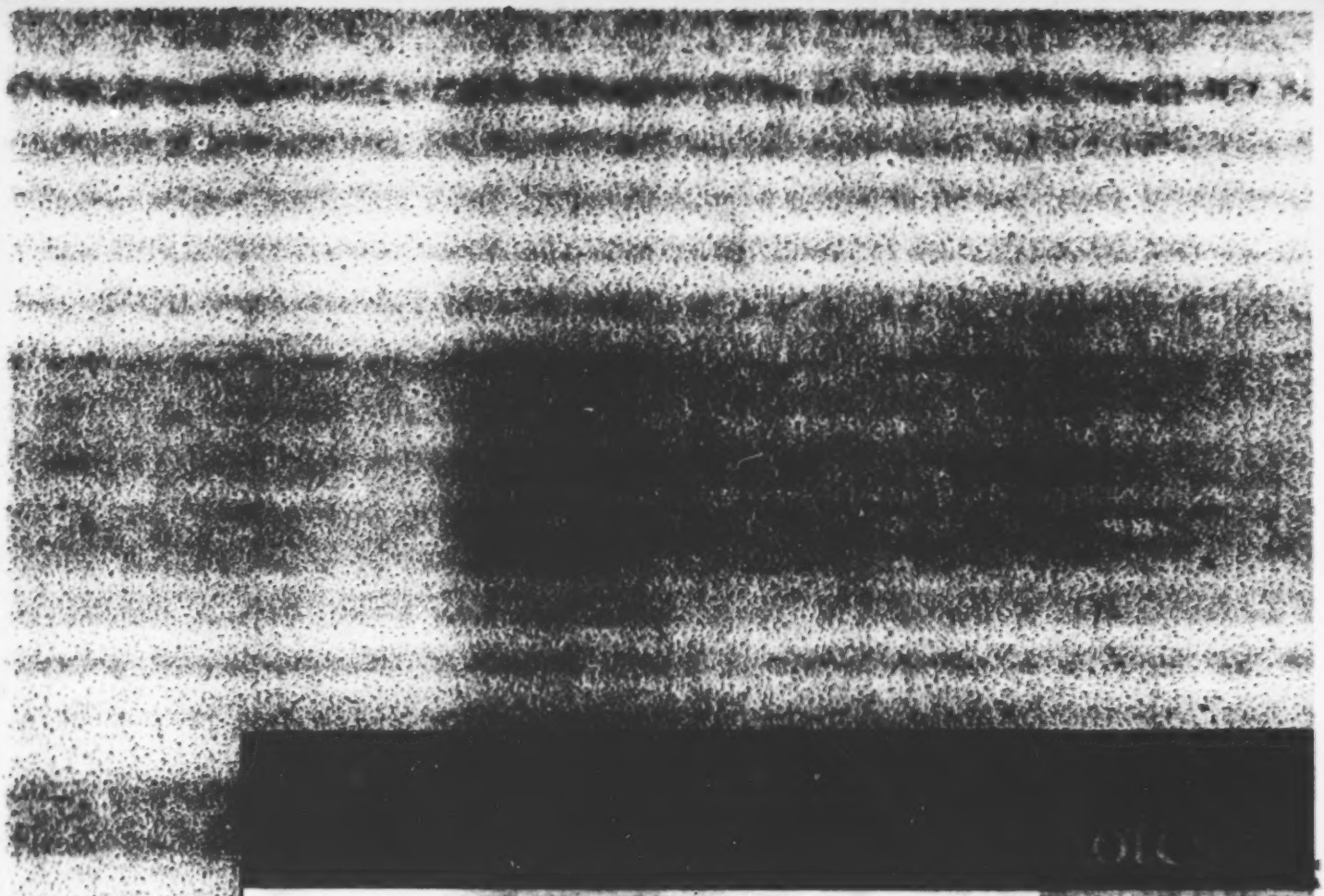

- be enrolled in an eligible program at an eligible post-secondary school.
- have a high school diploma or GED, pass a test approved by the U.S. Department of Education, or meet other state standards.
- be enrolled at least half-time to receive funds from the Federal Direct Loan and Federal Family Education Loan programs.
- not be in default on previous student loans or owe money on any previous grant awards received in error.
- have financial need. (See next section.)

How much money can a student receive?

The answer to this question depends on several factors and, therefore, can vary substantially from one school to another and even from one student to another at the same school.

The determination of how much aid a student qualifies for begins with the calculation of the student's need. Need is calculated by subtracting the amount that the student and family can reasonably be expected to pay toward the educational costs from the cost of the educational program in which the student is enrolled. This "cost of attendance" also includes figures for room, board, and other expenses typically incurred by the student.

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If this calculation yields a positive number, that number represents how much aid a student can receive – in other words, the student's "need" for financial aid. The need may be met with any combination of the various aid sources available at the school the student is attending.

While it is impossible to tell students how much aid they will receive until they submit a student aid application and identify a program of study, you can explain the maximum and minimum award amounts available from each program at your school.

What federal student aid programs can my school participate in?

The types of programs authorized under Title IV of the Higher Education Act of 1965, as amended, include grants, work-study, and loans. Students do not have to repay grants, work-study allows students to earn money to cover some of their educational expenses, and loans allow students to borrow money that is repaid after they complete their course of study or otherwise cease enrollment.

Federal Pell Grant

Pell Grants are awarded only to undergraduate students who have not earned a bachelor's or professional degree. The maximum Pell Grant award for the 1998-99 school year is $3,000.

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Federal Supplemental Educational Opportunity Grant (FSEOG)
FSEOG is also limited to undergraduates who have not earned a bachelor's or professional degree. Awards range between $100 and $4,000 a year.

Federal Perkins Loan
Perkins Loans are 5 percent loans available to both undergraduate and graduate students. The school is both the lender and the collector of the loan funds. Undergraduate students can borrow up to $3,000 for each year of study.

Federal Work-Study (FWS)
FWS provides on- and off-campus jobs for undergraduate and graduate students. Students are paid at least minimum wage. There is no overall program maximum; however, the amount that a student can earn combined with other financial aid received cannot exceed his or her need. (See previous section.)

The U.S. Department of Education has two parallel loan programs. The **William D. Ford Federal Direct Loan Program** and the **Federal Family Education Loan (FFEL)** Program each have four distinct loan programs under them.

The main difference between the two programs is the source of the funds. Direct Loan funds are provided by the government, and FFEL funds are provided by private lenders such as banks or credit

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unions. Some aspects of the application process and the available repayment plans also differ between the programs.

Subsidized Stafford Loans are based on the student's need. The government subsidizes (pays) the interest while the student is in school and during authorized deferment periods. Dependent first-year students can borrow $2,625, and independent first-year students can borrow $6,625. Yearly loan limits increase as the student progresses. The interest rate will never exceed 8.25 percent.

Unsubsidized Stafford Loans are not based on the student's need. Interest is charged from the time the loan is disbursed. Borrowing amounts and the interest rates are the same as for subsidized loans. Students can receive both subsidized and unsubsidized loans for the same period, but the total amount borrowed cannot exceed the established yearly limit in either category.

PLUS loans enable parents with good credit to borrow money to pay the education expenses of dependent undergraduate students. The yearly loan limit is equal to the cost of attendance minus any other financial aid the student will receive. The interest rate is variable, but it will never exceed 9 percent.

Consolidation Loans are designed to help student and parent borrowers simplify loan repayment by allowing the borrower to consolidate several types of federal student loans into one loan.

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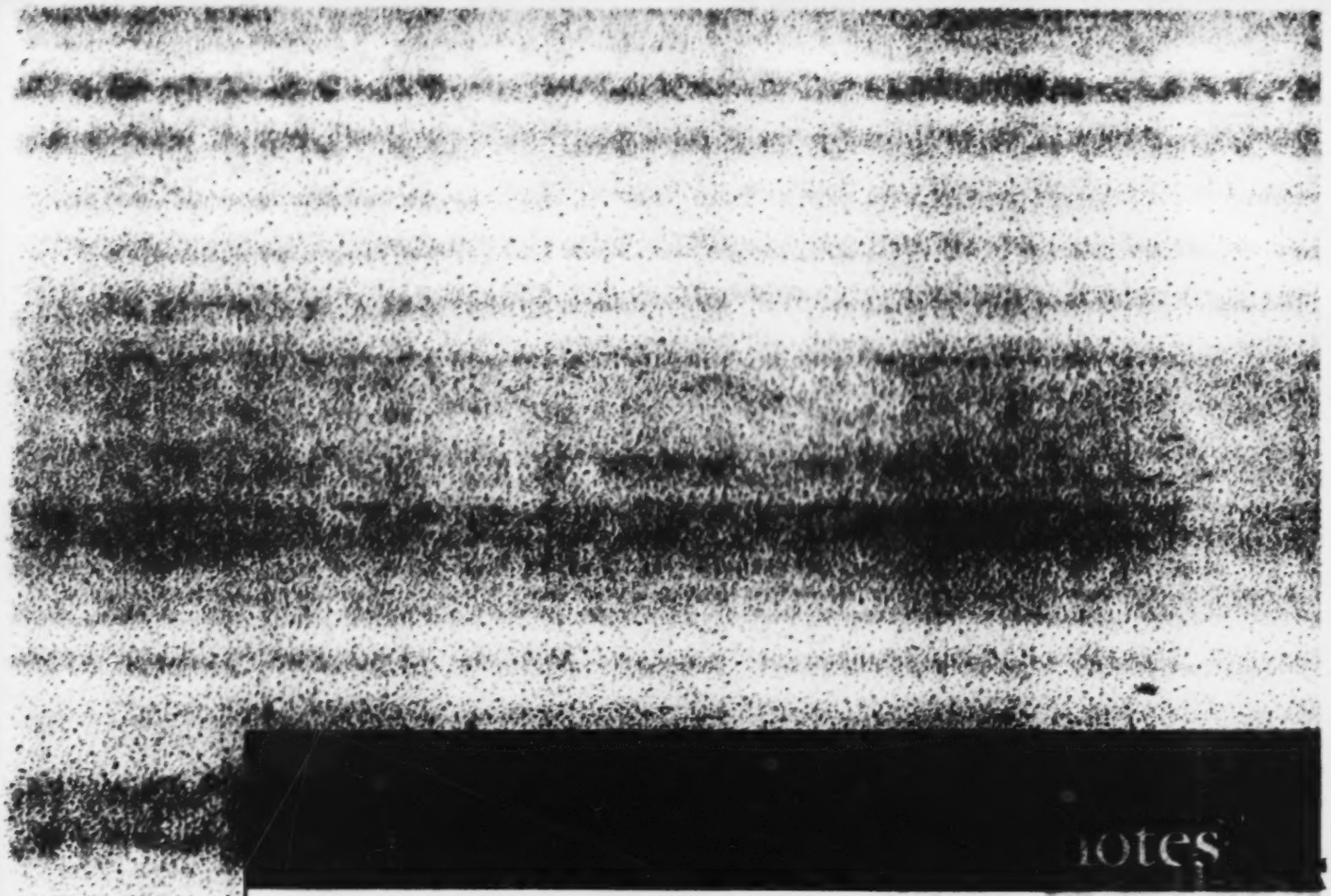

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You will ultimately have to determine in which of the federal student aid programs you want to participate. You may want to start with just the Federal Pell Grant program or the Federal Direct Loan or Federal Family Education Loan programs — the decision is up to you. You can choose any one or a combination of these or the other programs. The following factors will affect your decision:

- The number of students who are potential aid recipients
- The total number of student aid programs you administer
- The size and experience level of your financial aid staff
- Your decision to fund all or only a part of a student's cost of education with student aid resources

How do students get the funds?

Federal Pell Grant, Federal Perkins Loan, Federal Work–Study, Federal Supplemental Educational Opportunity Grant, and Federal Direct Loan funds are requested from the government by the school. Then, as the government's agent, you disburse funds to the students according to strict federal guidelines.

Federal Family Education Loan funds are sent from the lender to the school in the form of an individual check, master check, or electronic fund transfer.

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Funds are then credited to a student's account, paid to the student directly, or a combination of these methods is used. Your bursar or business office becomes a very important part of the student aid process at this point.

s there any initial training or help available to me once I am participating in these programs?

A comprehensive, week-long training called Precertification is a required part of the eligibility approval process. The financial aid administrator must attend the entire week. The CEO or owner must attend at least the first two days, although the entire week is suggested. You may attend at any time, but waiting until you have completed most of the other parts of the application process ensures that you will begin participating while your new skills and knowledge are fresh.

Other workshops are also sponsored by the U. S. Department of Education. These are announced well in advance and provide valuable information to your financial aid staff. Ongoing training in this profession is an absolute necessity to learn new information and to perfect skills.

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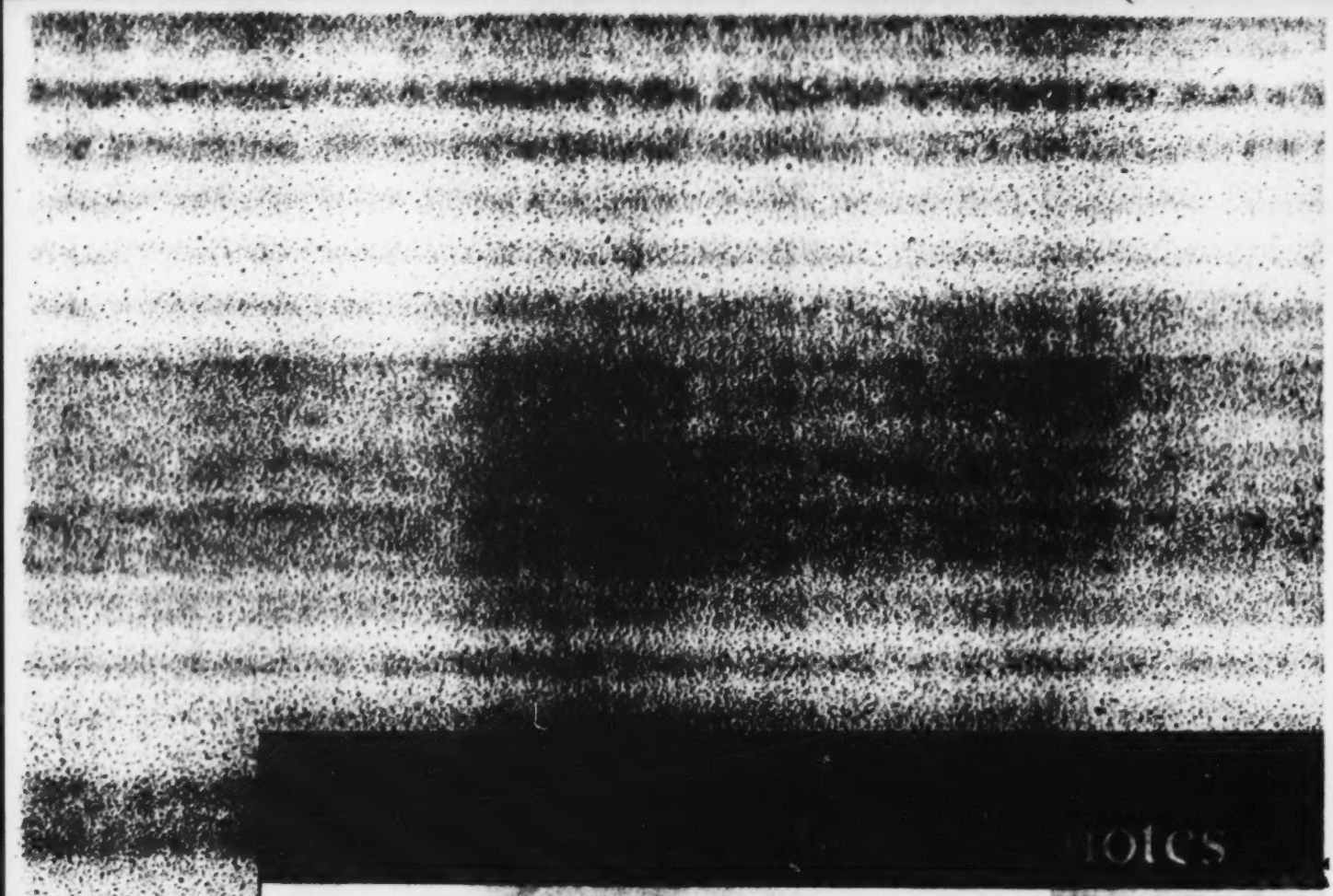

Professional financial aid associations at the state, regional, and national levels offer workshops and special assistance to their members. It is important for the financial aid office staff to get as much training as possible.

Financial aid servicers and consultants are private companies or individuals that offer a variety of services to help you manage student aid administration. Fees can vary greatly, and will depend on exactly the type of service provided. It is very important to note that the use of a servicer or consultant does not absolve the school of its responsibility and obligation to correctly administer the federal student aid programs.

Where can I find additional information about the student aid programs?

The publications listed below can be obtained via the World Wide Web at **http://www.ed.gov/offices/OPE/Professionals** or printed versions can be obtained by calling **1-800-433-3243**.

The Student Guide. This student-focused booklet is produced each year to provide students, parents, and other interested parties with basic information concerning the federal student aid programs. This is an excellent publication to read for a general first look at these programs.

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The Federal Student Financial Aid (SFA) Handbook. If you want to take a detailed look at what it takes to administer federal student aid, this Handbook is the main technical reference that we produce for financial aid administrators. Many of the things discussed in this booklet are described in detail in the Handbook.

Federal Student Aid Regulations. You may request a compiled set of our regulations. However, the complex format of this document makes casual reading difficult. The SFA Handbook is a much better source for learning the basics of student aid from the aid administrator's perspective.

Visit another school. One of the best ways to find out what it is really like to offer the federal student aid programs is to visit a school that already participates. Try to find a school similar to yours. Visit the financial aid and business offices and ask the staff what it's like to administer the federal student aid programs. If possible, also meet with the owner or president to get a variety of perspectives.

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ow do I get started?

The decision to participate in the federal student aid programs should not be made without carefully considering the factors discussed in this booklet. All of these will substantially affect your institution.

You are directly responsible for administering the federal student aid programs in which you decide to participate. Staffing, staff training, audits, your plans for growth, and many other factors require careful consideration before accepting this responsibility.

The federal student aid programs give many individuals access to higher education who otherwise would not be able to afford it. The participation of schools like yours is an important part in ensuring this access. Ultimately, you must weigh the pros and cons of participation and decide if you want to take this step.

If, after reading this booklet and the additional suggested publications, you wish to pursue eligibility you can call 202-260-3270 to request The Application for Approval to Participate. The application can also be found on the World Wide Web at:
http://www.ed.gov/offices/OPE/Professionals

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